

Message Text

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ORIGIN ARA-08

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 CIAE-00 TRSE-00
SP-02 PRS-01 IGA-01 /035 R

DRAFTED BY LA/CAR:WBWHEELER:ARA-LA:FTUMMINIA:EB/IFD:CCUNDIF
APPROVED BY ARA - WHLUERS
A/R.NOOTER (ACTING)(SUBS)
AA/PPC(ACTING),A.SHAKOW(SUBS)
AA/LA,A.VALDEZ
AA/LA(ACTING),D.LION
LA/DP, EDWARD COY (DRAFT)
TREASURY, F. MARESCA (DRAFT)
EB, JULES KATZ (SUBS)
FFP, DSHAUGHNESSY (DRAFT)
SER/H:DGARDNER (DRAFT)
EB/OFD/STJOHNSON (DRAFT)
LA/DR:CHARLES WEINBERG (DRAFT)
IMF/USD:CLOHMANN (DRAFT)
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FM SECSTATE WASHDC
TO AMEMBASSY GEORGETOWN

C O N F I D E N T I A L STATE 116534

LIMDIS

E.O. 11652: GDS

TAGS: PINT, PFOR, GY, US

SUBJECT: GUYANESE INQUIRY CONCERNING FINANCIAL
ASSISTANCE

REF: GEORGETOWN 0828, 0829, 0857

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1. DEPARTMENT HAS CAREFULLY CONSIDERED THOUGHTFUL EMBASSY'S
REFTELS AND SHARES CHARGE'S CONCERNS ON DIRECTIONS OF U.S.-
GUYANA RELATIONS, BUT IT REMAINS SKEPTICAL THAT ANY U.S.
ASSISTANCE WOULD BE SUCCESSFUL IN MODIFYING BURNHAM'S
FOREIGN AFFAIRS POSTURE.

2. FYI THE LOGICAL SOURCE WHICH MIGHT BE AVAILABLE TO

GOG FOR IMMEDIATE BALANCE OF PAYMENTS ASSISTANCE IS THE INTERNATIONAL MONETARY FUND. WE NOTE THAT AS OF END-MARCH 1977 GUYANA HAD ONLY DRAWN ON ITS FIRST CREDIT TRANCHE IN THE INTERNATIONAL MONETARY FUND FOR 7.3 MILLION SDR (ABOUT DOLS 8.4 MILLION). THEORETICALLY, GUYANA HAS POTENTIAL TO DRAW ON ITS REMAINING THREE CREDIT TRANCHES FOR 21.75 MILLION SDR (ABOUT DOLS 25 MILLION) OR, ALTERNATIVELY, ON THE IMF EXTENDED FUND FACILITY FOR 28 MILLION SDR (ABOUT DOLS 32.2 MILLION). ACCESS TO THE HIGHER CREDIT TRANCHES WOULD REQUIRE NEGOTIATION OF ANOTHER ONE-YEAR STANDBY AGREEMENT WITH THE FUND, WHICH WOULD REQUIRE

MORE CONDITIONALITY ON GUYANA'S ECONOMIC POLICIES THAN FOR ACCESS TO THE FIRST CREDIT TRANCHE. THE SOMEWHAT GREATER ACCESS TO FUND RESOURCES THROUGH THE EXTENDED FUND FACILITY (WHICH SUBSTITUTES FOR THE THREE REGULAR, HIGHER CREDIT TRANCHES) WOULD REQUIRE A THREE-YEAR ARRANGEMENT WHICH NORMALLY INCLUDES MEASURES TO IMPROVE A COUNTRY'S BALANCE OF PAYMENTS STRUCTURE AS WELL AS THE USUAL ECONOMIC STABILIZATION MEASURES. IN EITHER CASE DISBURSEMENT OF IMF FINANCING IS SPREAD OUT OVER THE LIFE OF THE AGREEMENTS WITH THE FUND AND CONDITIONAL ON THE BORROWING COUNTRY MEETING ITS COMMITMENTS TO THE FUND CONCERNING ECONOMIC PERFORMANCE. GUYANA WILL ALSO HAVE POTENTIAL ACCESS TO A REMAINING 5 MILLION SDR (ABOUT DOLS 5.75 MILLION) FROM THE IMF'S COMPENSATORY FINANCING FACILITY AS OF DECEMBER 1977. THIS IS SUBJECT TO VERIFICATION BY THE FUND OF AN EXPORT EARNINGS SHORTFALL LARGELY BEYOND GUYANA'S OWN CONTROL, A BALANCE OF PAYMENTS NEED

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AND EVIDENCE THAT GUYANA IS COOPERATING WITH THE FUND TO IMPROVE ITS BALANCE OF PAYMENTS POSITION. WHETHER GUYANA WANTS TO ARRANGE FOR ANY OF THIS ADDITIONAL ACCESS TO IMF RESOURCES IS A QUESTION FOR GUYANA TO DECIDE IN CONSULTATION WITH THE FUND. THE U.S.G. CANNOT OFFER TO INTERMEDIATE NOR PROMISE IN ADVANCE TO APPROVE IMF LOANS TO GUYANA OF WHICH THE DETAILS REMAIN TO BE WORKED OUT BETWEEN THE FUND AND GUYANA. END FYI.

3. AS EMBASSY KNOWS, A.I.D.'S DEVELOPMENT ASSISTANCE AUTHORITY DOES NOT PROVIDE FOR OVERCOMING BALANCE-OF-PAYMENTS DIFFICULTIES SUCH AS GUYANA IS EXPERIENCING. IN THOSE SPECIAL CASES WHERE BALANCE OF PAYMENTS ASSISTANCE IS PROVIDED, IT IS DONE UNDER SECURITY SUPPORTING ASSISTANCE (SSA). SUCH PROGRAMS REQUIRE A SECURITY OR POLITICAL RATIONALE WHICH WE DO NOT CONSIDER EXISTS IN THE CASE OF GUYANA. MOREOVER, THE FY 1978 BUDGET PROPOSAL HAS ALREADY BEEN PRESENTED TO CONGRESS AND WE DO NOT BELIEVE IT WOULD BE POSSIBLE TO OBTAIN A SPECIAL SSA

AUTHORIZATION OR APPROPRIATION FOR GUYANA. (FYI - A DOLS 9.5 MILLION SSA COMMODITY IMPORT LOAN FOR JAMAICA INCLUDED IN THE CONGRESSIONAL PRESENTATION HAS ENCOUNTERED INTENSE QUESTIONING DURING HEARINGS).

4. HOWEVER, IF THE GOG IS INTERESTED, A.I.D. WOULD BE WILLING TO EXPLORE POSSIBLE NEW DEVELOPMENT ASSISTANCE PROGRAMS IN ADDITION TO THE TRAINING LOAN NOW BEING NEGOTIATED. SPECIFICALLY, A.I.D. WOULD BE PREPARED TO CONSIDER ASSISTANCE FOR SELECTED PROJECTS IN AGRICULTURE, EDUCATION OR HEALTH. FOR EXAMPLE, A.I.D. COULD CONSIDER PROJECTS SUCH AS SMALL FARMER FOOD PRODUCTION AND MARKETING, FARM TO MARKET ROADS, AND DEVELOPMENT OF LOW COST HEALTH DELIVERY SYSTEMS IF SUCH PROJECTS CAN BE JUSTIFIED UNDER NORMAL CRITERIA. AS COUNTRY TEAM IS AWARE, A.I.D.'S CONGRESSIONAL MANDATE WOULD NOT PERMIT IT TO CONSIDER GUYANA'S PROPOSED HYDROELECTRIC PROJECT OR OTHER SUCH CONFIDENTIAL

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INFRASTRUCTURE PROJECTS. FYI NO PROVISION HAS BEEN MADE FOR DEVELOPMENT LOAN ASSISTANCE TO GUYANA IN A.I.D.'S FY 1978 CONGRESSIONAL PRESENTATION, AND INDEED THERE WERE NO GOG REQUESTS AT THAT TIME OTHER THAN THE MANPOWER TRAINING LOAN. IF JUSTIFIABLE PROJECTS CAN BE DEVELOPED BY FY 1978 THEY WOULD HAVE TO BE SUBMITTED TO CONGRESS FOR ITS REVIEW. (AS YOU KNOW IN THE PAST THERE HAS BEEN SOME CONGRESSIONAL CRITICISM OF ASSISTANCE TO GUYANA.)

5. IN ADDITION TO DEVELOPMENT ASSISTANCE, THE USG MIGHT CONSIDER SUCH ASSISTANCE AS COULD BE PROVIDED IN THE FUTURE THROUGH PL 480 TITLE I OR HOUSING INVESTMENT GUARANTIES. PL 480 PROGRAMS WOULD BE SUBJECT TO COMMODITY AVAILABILITY, BUDGET-LIMITATIONS AND WORLDWIDE REQUIREMENTS. FYI YOU SHOULD BE AWARE THAT PL 480 TITLE I HAS ALREADY BEEN PROGRAMMED ON A PRELIMINARY BASIS THROUGH FY 1978, AND UNDER EXISTING REGULATIONS, 75 PERCENT OF ALL PL 480 TITLE I ASSISTANCE MUST BE PROVIDED TO COUNTRIES WHOSE PER CAPITA INCOME IS NOT HIGHER THAN DOLS 300. THERE ARE MANY CLAIMANTS ON THE REMAINING 25 PERCENT. GUYANA'S CASE WOULD BE CONSIDERED ON ITS MERITS AGAINST THESE OTHER CLAIMANTS.

6. IF THE COUNTRY TEAM BELIEVES IT WOULD BE HELPFUL, AID/W WOULD BE PREPARED TO PROVIDE TDY ASSISTANCE TO THE MISSION TO REVIEW GOG DEVELOPMENT REQUIREMENTS AND HELP IDENTIFY AREAS OF POSSIBLE AID COOPERATION.

7. DEPARTMENT HAS NO OBJECTION TO CHARGE DISCUSSING GUYANESE REQUEST WITH PRIME MINISTER BURNHAM PROVIDED IT IS MADE CLEAR THAT THE USG IS NOT IN A POSITION TO SUPPLY

BALANCE OF PAYMENTS ASSISTANCE. CHARGE MAY INDICATE THAT WE WOULD BE PLEASED TO INITIATE DISCUSSIONS WITH THE GOG LEADING TO THE CONSIDERATION OF NEW A.I.D. DEVELOPMENTAL ASSISTANCE FOR SELECTIVE PROJECTS IN AGRICULTURE, EDUCATION OR HEALTH. WE WOULD ALSO BE WILLING TO EXPLORE THE JUSTI-
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FICATION FOR FUTURE PL 480 TITLE I PROGRAMS AND HOUSING INVESTMENT GUARANTIES. ANY SUCH PROGRAMS WOULD, OF COURSE, BE SUBJECT TO NORMAL CRITERIA, INCLUDING CONGRESSIONAL REVIEW AT AN APPROPRIATE TIME. CHARGE SHOULD NOT INITIATE DISCUSSION OF POSSIBLE ADDITIONAL BALANCE OF PAYMENTS SUPPORT LOANS TO GUYANA FROM THE INTERNATIONAL MONETARY FUND. SHOULD GUYANESE RAISE THE ISSUE, IT WOULD BE INTERESTING TO KNOW WHETHER GOG IS CONSIDERING FURTHER LOANS FROM THE FUND AND IS PREPARED TO MEET THE NECESSARY POLICY CONDITIONS. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, LOANS, BALANCE OF PAYMENTS DEFICITS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE116534
Document Source: CORE
Document Unique ID: 00
Drafter: LA:FTUMMINIA:EB/IFD:CCUNDIF
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770181-0979
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770534/aaaabcwk.tel
Line Count: 191
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6604c68c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 GEORGETOWN 828
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2429438
Secure: OPEN
Status: NATIVE
Subject: GUYANESE INQUIRY CONCERNING FINANCIAL ASSISTANCE
TAGS: PINT, PFOR, EAID, EFIN, GY, US, IMF, AID
To: GEORGETOWN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6604c68c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009